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May 13, 2008

AGENDA ITEM 3e

**TO: MEMBERS OF THE BENEFITS AND PROGRAM ADMINISTRATION
COMMITTEE**

I. SUBJECT: Senate Bill 1601 (Negrete McLeod)—As Introduced
February 22, 2008

State Annuitant Benefits

*Sponsor: Department of Personnel Administration
(DPA)*

II. PROGRAM: Legislation

III. RECOMMENDATION: Support

This bill would ease the administration of the Vision Care Program for State Annuitants and provide access to state retirees to the Group Legal Services Plan.

IV. ANALYSIS:

This bill would provide that the Vision Care Program for State Annuitants Fund is a continuously appropriated fund instead of requiring a yearly appropriation as is currently the case. This bill would also allow the state's vision services provider to directly bill an annuitant whose monthly premium allowance is not enough to cover the premium cost.

In addition, this bill would allow state retirees, at their own expense, to participate in the State's Group Legal Services Plan for state employees.

Background

Vision Care Program for State Annuitants

In 2006, Assembly Bill 2242 (Chapter 611, Torrico) established the Vision Care Program for State Annuitants. The Vision Care Program is a voluntary program, administered by the Department of Personnel Administration (DPA), and funded by participating annuitants. DPA contracts with Vision Services Plan (VSP) to

administer the program. Out of roughly 130,000 eligible annuitants there are currently over 40,000 enrollees in the State Annuitant Vision Care Plan.

The current premium is approximately \$9 per month for a member and \$17 per month for a member and his or her spouse. The premium is negotiated to provide the best cost to the members, and can be renegotiated when the contract periods end. The premium paid by the annuitant must be deducted from his or her monthly allowance by statute.

Group Legal Services Plan

The Department of Personnel Administration (DPA) contracts with ARAG Insurance Company to provide excluded, exempt, and rank-and-file state employees access to a Group Legal Services Plan (GLSP). Currently, the GLSP is only available to active employees and their eligible dependents via post-tax payroll deduction. The monthly premium is \$9.84 for individual coverage and \$17.39 for family coverage.

The GLSP is a voluntary and fully employee-paid, designed to meet an individual's most common personal legal needs, providing comprehensive legal coverage for eligible employees and their eligible dependents. Since the GLSP's implementation in 1992, the number of eligible employees enrolled in the GLSP has increased from 2,500 to more than 33,000. The average new enrollment during the state's annual open enrollment is approximately 4,200. Once state employees separate or retire, they are no longer eligible to participate in the Plan.

Proposed Changes

This bill would:

- provide that the Vision Care Program for State Annuitants Fund is a continuously appropriated fund.
- allow the state's vision services provider to directly bill an annuitant whose monthly premium allowance is not enough to cover the premium cost.
- allow state retirees, at their own expense, to participate in the State's Group Legal Services Plan for state employees.

Legislative History

2007 Chapter 331, Statutes of 2007 (AB 1288, Hayashi) – Established the County Retirement System Vision Care Program to provide vision care benefits to retirees (and their dependents) of counties that operate their retirement systems under the County Employees' Retirement Law of 1937 (the '37 Act) that elect to offer the program. *CalPERS Position: No Position*

- 2007 Chapter 344, Statutes of 2007 (SB 235, Negrete McLeod) – Allows annuitants of the California State University (CSU) system to participate in the newly created California State University Annuitant Vision Care Program for annuitants. This bill requires the Office of the Chancellor of the CSU to administer the program for all participating annuitants of the institution. *CalPERS Position: Support.*
- 2006 Chapter 611 (AB 2242, Assembly PER&SS) – Established the Vision Care Program for State Annuitants to be administered by the Department of Personnel Administration, to be paid for by the participants of the Program. *CalPERS Position: Support*
- 2005 SB 1091 (Maldonado) – Would have required CalPERS to provide vision care, comparable to that provided for active employees, to state annuitants that retire on or before July 1, 2006, and their dependents. The bill died. *CalPERS position: Support, if amended*

Issues

1. Arguments by Those in Support

DPA states that yearly open enrollment programs make it difficult to anticipate how much money to appropriate for the program. Furthermore, late budget approvals could cause the program to run out of funding. It is for these reasons that funds of this sort are typically appropriated continuously without regard to fiscal year. Continuous appropriation is the most administratively flexible and least costly approach.

Organizations in Support: Department of Personnel Administration (Sponsor), American Federation of State, County and Municipal Employees (AFSCME), California State Employees Association

2. Arguments by Those in Opposition

There is no known opposition at this time.

3. Annuitant Compensation Not Enough to Pay for Premiums

There are approximately 700 state annuitants that do not earn enough in retirement benefits to fully pay for their health and dental premiums. Usually these retirees worked long enough to qualify for a small pension, but not long enough to qualify for employer paid health benefits, usually 5 years or so.

When the annuitants warrant does not cover the vision care plan premium, an error list is produced that indicates deductions exceed the member's gross allowance so VSP will bill the member's directly.

This bill will clarify that annuitants can be billed directly for their vision care premiums.

4. Group Legal Services Plan Not Currently Available to State Retirees

Once state employees separate or retire, they are no longer eligible to participate in the GLSP. However, retirees have similar needs for low cost legal services as are experienced by active employees. Indeed, retirees may even have a greater need for wills, powers of attorney, and other legal services as they age. This bill would allow retirees to participate in the Plan at their own expense, providing a valuable benefit to retirees at no cost to the State.

5. Legislative Policy Standards

The Board's Legislative Policy Standards indicate a support position on proposals which provide benefit improvements to retirees to recognize the unique needs of this group. Staff recommends the Board adopt a support position on SB 1601 because this bill would clarify existing law in order to effectively administer the State Annuitant Vision Care Plan and provide state retirees access to the Group Legal Services Plan.

V. STRATEGIC PLAN:

This is not a product of the CalPERS strategic plan, but an ongoing responsibility of the CalPERS Office of Governmental Affairs.

VI. RESULTS/COSTS:

Program Costs

There are no additional program costs. The Vision Care Program is already paid for, in full, by the annuitants.

Administrative Costs

There would be no additional administrative costs as a result of this bill.

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